

October 4, 2011

By Liaison

The Honorable Peter J. Lund  
Chairman, Michigan House of Representatives  
House Insurance Committee  
124 N. Capitol Avenue  
P.O. Box 30014  
Lansing, MI 48909

Dear Mr. Chairman:

The National Insurance Crime Bureau (NICB) is a national, not-for-profit organization supported by approximately 1,100 property/casualty insurance companies, including many who write business in Michigan. Working with our members and law enforcement, we investigate organized criminal conspiracies dealing with insurance fraud and vehicle theft. NICB has five Michigan-based field agents who investigate insurance fraud on a daily basis.

Because of our strong interest in insurance fraud issues, we wanted to express our strong support for House Bill 4936. We are also a member, along with the Insurance Institute of Michigan and others, of the Coalition for Auto Insurance Reform, who are also in support of this legislation.

Although implemented to help curb rising costs and limit frivolous lawsuits, the no-fault insurance system in Michigan has been co-opted by organized criminal conspiracies driven by greed, and enticed by the unlimited benefits to turn this system into their own personal treasury. NICB supports HB 4936 as a necessary step to curb these abuses and put some controls into the current system.

Michigan's no-fault system has introduced an entire illicit industry to the state; one that has its origin and lucrative future linked to automobile accidents and the crooked chain of events that follow. These schemes take shape using runners and cappers who set-up fake auto accidents and make false insurance claims for theft rings, medical facilities or law firms.

In addition, these "runners" are known to swamp accident victims with misleading information and intrusive personal visits and phone calls, and often offer to share the profits from bogus insurance claims. Millions of dollars are paid out based entirely on fraudulent diagnostic testing and medical treatments. Oftentimes, unscrupulous lawyers and doctors are also part of these organized criminal enterprises.

Due to NICB's positioning as the repository for insurance industry questionable claim referrals, we can provide the Committee with specific data analysis highlighting the insurance fraud crisis in Michigan (please see attached charts).

- Michigan ranks #3 nationally in medical questionable claims submitted

- Medical questionable claims have spiked almost 200% in one year alone
- No-Fault claim severity in Michigan is nearly \$35,000 per claim (the next closest state is New Jersey at \$17,000)
- Overall, questionable claim submissions in Michigan have risen 70% in the past year - 80% of these claims are tied to suspected medical fraud
- Personal Injury Protection (PIP) related questionable claims have soared by 136% over the past year

As mentioned, NICB's internal questionable claim repository indicates a substantial increase in medical provider fraud in Michigan. These investigations formed the basis for NICB's effort to create a Medical Fraud Task Force based out of Wayne County in suburban Detroit. This Task Force works with all levels of law enforcement, regulators and the insurance industry to address major cases of medical fraud.

In addition, NICB also supports additional refinements to the Michigan anti-fraud environment through passage of prompt billing legislation, and expansion of the existing Auto Theft Prevention Authority to include insurance fraud and runner and caper penalties. Legislation to address these issues is pending in the Senate (SB294, 295, 296, 298).

Michigan's no-fault system desperately needs legislative reform and anti-fraud controls to dislodge parasitic criminal enterprises that have attached themselves to it and enjoy its low-risk, high-reward money supply.

In conclusion, NICB supports the passage of House Bill 4936 before the Committee, and we look forward to working with members of the Committee.

Thank you for your time and consideration. If you have any questions, please contact NICB Director of Government Affairs Timothy Lynch at 847-544-7080, or via email at [tlynch@nicb.org](mailto:tlynch@nicb.org).

Sincerely yours,



Joseph H. Wehrle, Lt. General USAF (Ret.)  
President and Chief Executive Officer  
National Insurance Crime Bureau

Enclosure

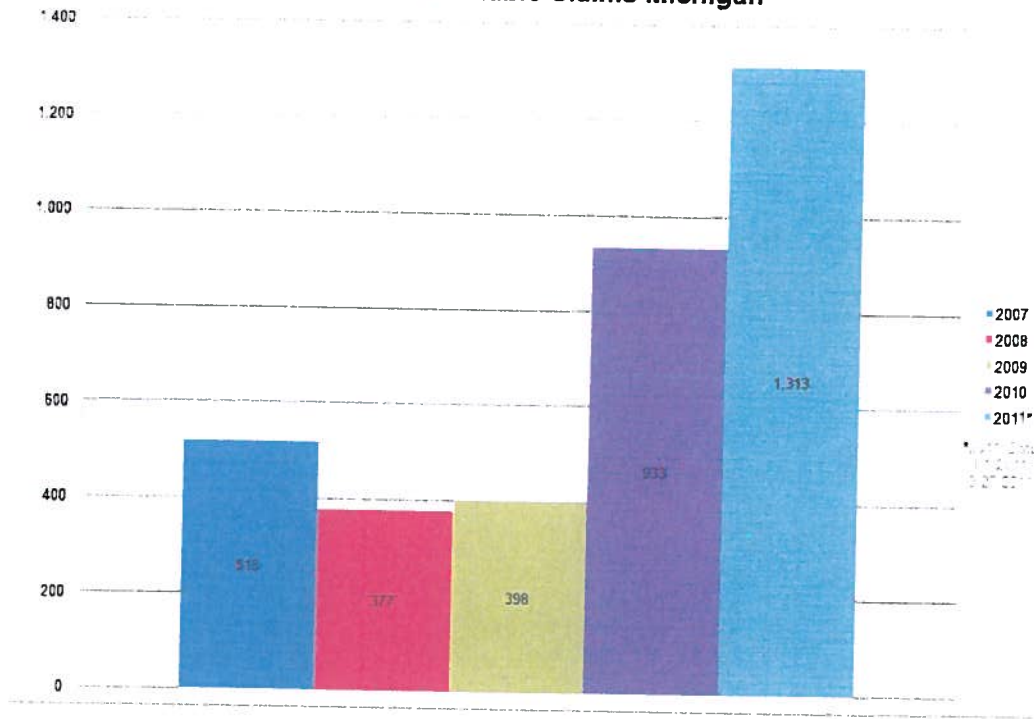
1 – Mr. Peter Kuhnmuensch – Enclosure – Via Email  
Executive Director  
Insurance Institute of Michigan

1 – Ms. Judy Fitzgerald  
Vice President, Government Affairs, NICB

1 – Mr. Timothy Lynch  
Director, Government Affairs, NICB

## Michigan Insurance Fraud Data

### PIP Questionable Claims Michigan



### PIP Questionable Claims Top 5 2011\* States

